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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000400

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TAGS: [EAGR](#) [EAID](#) [ECON](#) [ETRD](#) [PGOV](#) [IZ](#)
SUBJECT: DPM REQUESTS ECONOMIC ADVICE ON AVIAN FLU RESPONSE

REF: A. BAGHDAD 254

[1](#)B. BAGHDAD 216

Classified By: Economic Section Minister Counselor Thomas Delare, reasons 1.4 b/d

[1](#)1. (C) Summary: EconMinCouns on February 8 accepted Deputy Prime Minister Rowsh Shaways's invitation to discuss Avian Influenza (AI) economic issues. EconMinCouns suggested to DPM Shaways that the current all-encompassing ban on poultry imports might encourage Iraqi farmers to sell questionable poultry on the open market, increasing the risk of spreading H5N1. EconMinCouns also noted that the ban might contribute to malnutrition as people consume less poultry, thus cutting out a significant source of protein and putting a strain on Iraq's livestock industry. DPM Shaways agreed on the necessity of an effective compensation plan for farmers who lose flocks to culling. He said he will encourage the Council of Ministers, who currently oppose compensation, to enact a plan and encouraged EconMinCouns to enlist the Ambassador's assistance. The current AI situation in Iraq presents the GOI with an opportunity to build much needed credibility with the Iraqi public. To date, the GOI has not effectively seized the initiative. End summary.

[1](#)2. (C) Deputy Prime Minister Rowsh Shaways (DPM) invited EconMinCouns February 8 to discuss AI-related economic issues. During the meeting, the DPM said the three most negative aspects of the current AI situation in Kurdistan are:

- The potential for huge economic losses to poultry farms and secondary businesses due to culling;
- The lack of protein in Iraqis' diets because many of them have stopped eating chicken; and,
- Rising prices of red meat and the effects of its increased consumption on the Iraqi livestock industry.

DPM asked EconMinCouns for his advice on how to respond to these concerns economically.

Unintended Consequences

[1](#)3. (C) The DPM confirmed that he had authorized the recent ban on all poultry imports, regardless of origin, as a way to protect Kurdish poultry farmers from foreign competition if their flocks are culled, and to encourage Iraqi farmers to raise more chickens. EconMinCouns suggested that the all-encompassing ban -- besides being out of compliance with World Organization for Animal Health trade guidelines -- would have an opposite effect. By indiscriminately stopping all poultry imports, the GOI will create a severe supply shortage. Exacerbated by culling operations, the supply shortage will in turn cause poultry prices to increase

significantly and strain Iraq's livestock industry as Iraqis turn to red meat as an alternate source of protein. In addition, the increasing retail prices would put chicken further out of reach of poor Iraqis, contributing to protein deficiencies. Shortage-induced high prices will also indirectly encourage Iraqi poultry farmers to sell potentially ill chickens on the open market, rather than submit their flocks to government inspection and possible culling. EconMinCouns suggested that the best approach would be to allow imports of safe poultry. (Note: Embassy Health Attache, also present, informed the DPM that all frozen poultry is safe because the freezing process destroys the H5N1 virus.)

14. (C) EconMinCouns asked the DPM if the GOI had established a compensation plan to reimburse farmers (and possibly secondary businesses) affected by government culling operations. The DPM said the KRG has a compensation plan, but the GOI does not have an Iraq-wide plan because the Council of Ministers (CoM) currently "refuses to compensate." (Note: USAID/Irbil said they received a copy of KRG's compensation plan February 8 and are currently translating it.) The DPM explained that the Ministry of Finance opposes a compensation plan because the GOI is currently a "caretaker" government and not authorized to commit to such a plan, and because the 2006 budget does not have sufficient funds built in to handle the potentially huge outlays. EconMinCouns stressed the importance of a compensation plan as a means to induce Iraqi poultry farmers to report potential Avian Flu outbreaks and cooperate in culling operations. The DPM said it would be helpful for Ambassador Khalilzad to engage the Prime Minister about the need for an effective compensation plan. He said he would also encourage the CoM on February 9 to implement a plan as soon as possible.

BAGHDAD 00000400 002 OF 002

Comment: Missing an Opportunity

15. (C) Embassy officials have on several occasions asked GOI officials about culling and compensation plans, and whether or not they have performed economic impact studies. The DPM's admission that there is no Iraq-wide compensation plan goes against previous statements of the Minister of Agriculture, who told Embassy officials as early as October 2005 that his ministry was working on a plan (but never subsequently provided details). The GOI's response to Avian Flu continues to appear uncoordinated (ref A) in comparison to KRG actions.

16. (C) USG sources in Kurdistan report that farmers there are taking part in government culling operations in the confidence that the KRG will adequately compensate them later. This citizen confidence in government services contrasts sharply with the rest of Iraq, where the average Iraqi reportedly does not have faith in the GOI to consistently provide even the most basic of essential public services (ref B). The GOI appears to so far be squandering the opportunity (presented by the potential AI crisis) to increase its credibility among average Iraqi citizens through an effective AI response.
KHALILZAD